

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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**Report Highlights:**

\*Food Ministry faces problem of plenty\*, \*'India, U.S. must do away with policies that stifle trade ties'\*, \*FDI in multi-brand retail: Secretaries to meet on July 22\*, \*Consumers still spend most on food\*, \*Indian state of Bihar becoming major milk producer\*, \*Cotton acreage grows at fastest pace\*, \*Empowered group of ministers clears draft food security bill\*, \*India's inflation inches up to 9.44 percent in June.\*

## **General Information:**

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

## **FOOD MINISTRY FACES PROBLEM OF PLENTY**

The present stock with central pool is far more than the buffer stock and strategic reserves requirement. The wheat procurement season has ended in most big food grain-growing states with an all-time high purchase of almost 28 million tons, creating a problem of storing such huge stocks. Procurement of wheat and rice put grain stocks in the central pool to a record 65.59 million tons by the middle of June. In the central pool, the food grain stock is estimated at 64 million tons (26.8 million tons of rice and 37.14 million tons of wheat as on July 7), while the total storage capacity available with the Food Corporation of India (FCI) and state agencies is around 63 million tons. The reason for such high procurement of wheat and rice is primarily record output, record minimum support prices for rice (common grade Rs 1,080/quintal (qtl) and Grade 'A' Rs 1,110/qtl) and wheat (Rs 1,170/qtl) and the emergence of Madhya Pradesh among the top states contributing grains to central pool, after Punjab and Haryana. The procurement of wheat in 2011 is estimated at 84.27 million tons, up 4.29 percent from last year, while in case of rice it is expected to be 5.63 percent more at 94.11 million tons. (Source: [Business Standard](#), 07/11/11)

## **'INDIA, U.S. MUST DO AWAY WITH POLICIES THAT STIFLE TRADE TIES'**

While addressing the eighth meeting of the India-US High Technology Cooperation Group, the U.S. Under Secretary of Industry and Security, Mr. Eric L. Hirschhorn, has said that India and the U.S. must continue their effort to eliminate policies that discourage research and innovation. "We must find new ways to break down tariff and non-tariff barriers to trade that stifle cooperation. "To strengthen its own export control systems so that we can continue this trend and realize the President and Prime Minister's joint vision to bring fundamental change to U.S. export relationship with India," he said. Addressing the meeting, the Foreign Secretary, Ms Nirupama Rao, added that cooperation in biotechnology and life-sciences would not only enable us to realize the enormous bilateral opportunities, but also sustain our global leadership in this area. The Indian Foreign Secretary said that there was need to focus on a few specific application of nano technology such as agriculture, water, healthcare, energy and environment. (Source: [Business Line](#), 07/11/11)

## **FDI IN MULTI-BRAND RETAIL: SECRETARIES TO MEET ON JULY 22**

Secretaries will meet on July 22, 2011 to finalize a blue print on allowing foreign investment in the multi-brand retail sector for political clearance. The Committee of Secretaries (CoS) headed by Cabinet Secretary Ajit Kumar Seth will try to resolve inter-ministerial differences on issues like fixing a cap on FDI in the sector and regulatory framework. While officials will formulate the policy, the decision to open the sector for FDI has to be taken by the political leadership. While the Department of Industrial Policy and Promotion (DIPP) is in favor of allowing 51 percent FDI in

the sector, the Department of Consumer Affairs wants to cap the foreign direct investment at 49 percent. These include a minimum FDI of USD 100 million (about Rs 4.5-4.6 billion), half of which must be invested in the back-end infrastructure like cold storage, soil testing labs and seed farming. Last year, the DIPP had initiated a debate on allowing FDI in the multi-brand retail sector that is dominated by mom and pop shops. The government's policy on retail investment will also help in boosting the country's FDI, which declined by 25 percent to USD 19.42 billion in 2010-11 from USD 25.83 billion in the previous fiscal. (Source: [Economic Times](#), 07/13/11)

## **CONSUMERS STILL SPEND MOST ON FOOD**

According to the latest household consumer expenditure survey (1 million household) by the National Sample Survey Organization (NSSO), sustained food inflation in recent years seems to have taken a toll on consumer spending. The NSSO's 66th round survey, covering the period from July 2009 to June 2010, shows an average rural Indian household to have allocated 53.6 percent of its total monthly consumption expenditure on food items while the corresponding share for urban household was less, at 40.7 percent. The decline in the share of food in total consumer spending is not as significant as in the previous quinquennial survey rounds. According to the survey, cereals still make up the largest chunk of an average Indian household's consumption budget: 15.6 percent in rural and 9.1 percent in urban areas. This is followed by fuel and light (9.5 percent in rural and 8 percent in urban), milk and milk products (8.6 percent and 7.8 percent), vegetables (6.2 percent and 4.3 percent) and clothing (4.9 percent and 4.7 percent). The States among the top in spending are Kerala (Rs 1,835.22 in rural and Rs 2,412.58 in urban areas), Punjab (Rs 1,648.92 and Rs 2,108.79), Haryana (Rs 1,509.91 and Rs 2,321.49) and Maharashtra (Rs 1,152.79 and Rs 2,436.75). The States at the bottom of the consumption chart are Bihar, Chhattisgarh, Orissa and Jharkhand. (Source: [Business Line](#), 07/08/11)

## **INDIAN STATE OF BIHAR BECOMING MAJOR MILK PRODUCER**

Bihar, which until recently was dependent on milk supply from Punjab in the north and Andhra Pradesh in south to meet its domestic consumption, is turning out to be a frontline state in milk production. According to Mr. Ashok Java, General Manager, Bihar State Cooperative Milk Producers Federation, "from a low average milk procurement of 281.81 thousand litre per day in 1999-2000, the state is now obtaining nearly 1.4 million liters per day milk from farmers in 2011-12. Bihar is among the top 10 leading milk producing state of the country today and is targeting to increase its milk procurement to about 3.2 million liters per day by 2021-22." Uttar Pradesh, Andhra Pradesh, Rajasthan, Gujarat, Madhya Pradesh, Maharashtra and Haryana are the other leading milk producing states. State Agriculture minister Narendra Singh attributed the success story to progressive approach of the Nitish Kumar government which is according top priority to farm sector including dairy. The state government is providing various incentives to the farmers, including subsidized feed and fodder and a 30 per cent subsidy on the purchase of animals among other things, to promote milk output in the state, he added. (Source: [The Economic Times](#), 07/10/2011)

## **COTTON ACREAGE GROWS AT FASTEST PACE**

Cotton sowing in the ongoing season has seen unprecedented growth, according to data with the Cotton Corporation of India. According to textile ministry officials, the northern zone, comprising Punjab, Haryana and Rajasthan, has witnessed a sharp growth of 20 per cent in acreage, although it usually grows by a marginal three to five per cent. The west, comprising Maharashtra, Gujarat and Madhya Pradesh, saw acreage going up 8-10 per cent, following the recent rains. Traditionally, the western region contributes majorly to output, around 55-60 per cent. Officials expect cotton

acreage to touch a record high this year. Various reasons can be cited behind the increased acreage, the first being the skyrocketing price of cotton last year, followed by a higher minimum support price (MSP) this year. Secondly, the agriculture ministry has been laying greater emphasis on the eastern region for paddy and wheat output, since the soil capacity for these grains is saturated in the traditional food belt in the north. Therefore, the ministry, based on the recommendation of the Commission for Agricultural Costs and Prices, has advised farmers to shift to cash crops like cotton and sunflower. (Source: [Business Standard](#), 07/14/2011)

### **EMPOWERED GROUP OF MINISTERS CLEARS DRAFT FOOD SECURITY BILL**

On July 11, 2011, an Empowered Group of Ministers (EGoM) cleared the draft Food Security Bill, which has proposed a legal entitlement for subsidized grain to 75 per cent of rural households and 50 per cent of urban households. The draft bill will now be vetted by the law ministry and then placed before the cabinet. Officials said after the bill is enacted, the country would need to raise annual grain procurement to around 61 million tons. At present, average annual grain procurement is 55-60 million tons. The EGoM also cleared the export of a million tons of non-basmati rice and decided on an 'in-principle' approval to export of wheat. India had banned wheat and rice exports in 2007 and 2008, respectively, after prices flared in the local markets and government purchases dropped to record lows. The group of ministers also decided to export 650,000 tonnes of wheat products. (Source: [Business Standard](#), 07/15/2011)

### **INDIA'S INFLATION INCHES UP TO 9.44 PERCENT IN JUNE**

India's inflation rate in June accelerated to 9.44 percent, driven by high fuel and manufactured products' prices as experts warned that prices will again surge in the coming weeks, when the knock-on effects of the recent hike in diesel prices cascade through the economy. Inflation was 9.06 percent in May. More worryingly, the April inflation rate was revised significantly higher to 9.7 percent from 8.7 percent reported previously. Food Inflation surged to a three week high to 8.31 percent during week ending July 2, up from previous week's annual rise of 7.61 percent. Finance minister Pranab Mukherjee stated, "The government is working together with the Reserve Bank of India to take appropriate steps to reduce inflation to more comfortable levels." (Source: [Hindustan Times](#), 07/14/2011)

### **RECENT REPORTS SUBMITTED BY FAS/NEW DELHI**

REPORT #	SUBJECT	DATE SUBMITTED
IN1162	Weekly Hot Bites, #27	07/08/2011

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